

MyCommunityMortgage™

Energy Efficient Mortgage

Providing incentives for affordable, environmentally efficient homes

October 2002

Fannie Mae's MyCommunityMortgage Energy Efficient Mortgage (EEM) pilot provides incentives for low- and moderate-income home buyers to purchase environmentally efficient homes. This pilot is part of Fannie Mae's Housing and Environment Initiative, designed to promote the design, construction, and purchase of more efficient homes.

MyCommunityMortgage EEM allows the lesser of \$500 or one percent of borrower contribution to the transaction, which can come from a variety of sources. Utility and manufacturer rebates can be applied toward the transaction. Monthly projected energy savings will be added to borrower income in the qualification calculation. The MyCommunityMortgage EEM is for borrowers who are at or below 100 percent of area median income (AMI), with exceptions for high-cost areas. There is also no income limit for properties located in FannieNeighbors® areas.

The MyCommunityMortgage EEM option is available for the Community 97™ or the Community 100 Plus™ products.

Benefits for Lenders

- Qualify borrowers for larger mortgages, even gain approval for those borrowers who may not have qualified for an inefficient home
- Improve competitive position as a market leader in new product innovation
- Create opportunities for you to expand your business and possibly enhance your cross-selling capabilities
- No delay in closing – new homes are easily evaluated before the closing date and any retrofits to existing homes can take place after closing
- Utilizes automated underwriting
- Play a leadership role in the “green building” movement

Benefits for Borrowers

- Increase borrower qualifying income
- Energy savings reduce monthly operating costs
- More comfortable home in all seasons and climates
- 100% of energy improvements can be financed – up to 15% of the value of the home for existing homes and 5% of the home's value for new construction
- Quality assurance with required third-party energy rating report

Eligible Borrowers

Borrowers must purchase an energy efficient home or a home that could benefit from energy efficiency improvements. Borrowers must have an income less than 100% of area median income (AMI). However, there are exceptions for Fannie Neighbors areas and high cost areas.

Required Borrower Contribution

The borrower is required to contribute to the transaction the lesser of \$500 or one percent of the sale price of the property. Utility and manufacturer rebates can be applied toward the transaction.

Credit Requirements

No specific minimum score if Desktop Underwriter[®] (DU) approval; otherwise, the minimum score is dependent on the underlying product chosen (Community 97 or Community 100 Plus).

Treatment of Energy Savings

Monthly projected energy savings, as determined by a third party energy rater, will be added to borrower income in the qualification calculation. The value of the energy efficiency measures (referred to below as the Energy Savings Value), as determined by a third party energy rater, is added to the home's appraised value.

Loan-to-Value

Maximum loan-to-value (LTV) is 100 percent and combined loan-to-value is 105 percent; for new construction, loan-to-value ratios are based on the lesser of

1. the purchase price, or
2. the appraised value of the Property plus the Energy Savings Value as determined through third-party verification.

For retrofits, LTV is based on the lesser of

1. sales price plus the Energy Savings Value as determined through third-party verification, or
2. appraised value prior to the installment of the energy measures plus the Energy Savings Value.

Eligible Properties

Properties must be one-family, owner-occupied home. New homes must be deemed energy efficient by the energy rating report. As an alternative, the home can meet standards for a prescriptive program, such as EPA's Energy Star Building Option Package. Existing homes must be upgraded with cost-effective efficiency measures.

Qualifying Ratios

No specific qualifying ratios if Desktop Underwriter[®] (DU) approved; otherwise, total monthly obligation to income ratio may not be greater than 41 percent.

Counseling

Face-to-face pre-purchase counseling and early intervention counseling required for first-time home buyers only. (The consumer guide, *Home Performance Power: Fannie Mae's Guide to Buying and Maintaining a Green Home*, may be used to enhance home-buyer education. To order, please call 1-800-571-5554 and request HI274). All borrowers are required to complete early delinquency counseling.

Reserve Requirements

No specific requirements if DU approved; otherwise the required reserves depend on the underlying MyCommunityMortgage option chosen (Community 97 or Community 100 Plus).

Mortgage Insurance Requirements

Thirty-five percent mortgage insurance required.

Special feature code

Please enter special feature code 124 for MyCommunityMortgage Energy Efficient loans. In addition, please enter SFC 460 for Community 97 and SFC 480 for Community 100 Plus.

For More Information

For more information, please contact Michelle Desiderio at (202) 752- 4041 or michelle_desiderio@fanniemae.com; Jim Taylor at (202) 752-4085, or james_taylor@fanniemae.com; or your Customer Account Manager at your Fannie Mae regional office:

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